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October 3, 2007

VIA ELECTRONIC FILING

Hon. A. Kathleen Tomlinson
United States District Court
Eastern District of New York
100 Federal Plaza
P.O. Box 9014
Central Islip, New York 11722

Re: FragranceNet.com, Inc. v. FragranceX.com, Inc., CV-06-2225

Dear Judge Tomlinson:

We are counsel to defendant FragranceX.com, Inc. We are writing in response to plaintiff's motion to compel.

Plaintiff and defendant are online competitors. Plaintiff's discovery motion does not seek relevant information, but confidential trade information irrelevant to this action, which would be helpful to plaintiff's business.

Category 1: Defendant's Entire Business

Plaintiff's request for all documents concerning defendant's "product offering, market research, advertising and website design" - and not only of the website itself, but "defendant's on-line store" (Doc. Req. 1) - goes far beyond any relevant discovery.

This is an action for copyright infringement. The only infringement alleged is that, for a period of time ending in February, 2006,[1] a few of the thousands of photographs of products on defendant's website were photographs copied from plaintiff.[2] Based on this modest claim, plaintiff seeks discovery of the entire history of all of defendant's business activities and all of defendant's (non-public) finances. All of this

[1] See ¶22 of Proposed Third Amended Complaint attached as Ex. A to Myers aff., sworn to May 4, 2007.
[2] Plaintiff's complaint alleges infringement of 900 pictures. However, it has never produced more than 50 alleged copies by defendant (see Ex. B to Proposed Third Amended Complaint attached as Ex. A to Myers aff., sworn to May 4, 2007), and has yet to comply with defendant's request for copies of all of defendant's alleged infringing pictures. See Defendant's Doc. Req. 3.

information is both confidential business information and irrelevant to plaintiff's limited claim in this case.

There are two material elements to a copyright claim: copyright ownership and infringement. Nimmer on Copyright, §13.01. (If plaintiff seeks defendant's profits, as here, it must prove defendant's gross receipts obtained through the infringement. 17 U.S.C. §504(b).) Infringement is proven by showing access to plaintiff's photographs and substantial similarity of defendant's photographs and plaintiff's photographs. Nimmer on Copyright, §13.01(B). No part of defendant's website or its business, other than the accused photographs and their sources, is relevant to plaintiff's claim.

Instead of seeking discovery on defendant's photographs, plaintiff wants to take discovery of defendant's "modus operandi." Some vague "modus operandi" is not at issue here. Plaintiff says it wants to test defendant's "bad faith intent." Good or bad faith is not an element of copyright infringement. While the willfulness of alleged infringement can be relevant where plaintiff registered its copyright before the alleged infringement and seeks statutory damages, plaintiff did not do so here. No discovery other than discovery about defendant's photographs is relevant to copyright infringement, and none should be allowed.

Category 2: Drop-ship, Affiliate and Shopping Comparison Website Arrangements

Plaintiff speculates that if defendant infringed plaintiff's photographs, defendant's affiliated drop-shippers and other "affiliates" might have done so too. Plaintiff does not actually claim that they did, but would like defendant to disclose all the identities of its drop-shippers and distributors ostensibly so that plaintiff can see if they did.

First, if there were copies of plaintiff's pictures on other websites, plaintiff would have had little trouble finding them. Plaintiff allegedly found copies on defendant's website merely by looking at defendant's website. See Second Amended Complaint, ¶17. It is not hard to find perfume sellers on-line by the simplest of searches. That plaintiff found no such copying negates the good faith of its current request.

Second, what plaintiff is doing is seeking discovery to find a claim, rather than to take discovery on a known claim. Discovery to find if a claim exists is not permitted.[3]

Most important, the discovery requested will enable plaintiff to frustrate the Confidentiality Order here, which otherwise allows a party to restrict information to the adversary counsel. Drop-shippers are an important and confidential part of defendant's business. See Yakuel dec. Once defendant's drop-shippers' names are obtained, plaintiff need only move to add them to this action for plaintiff's client to obtain those names, which are otherwise secret. Plaintiff can then harass those drop-shippers, making their association with defendant burdensome, and also compete with defendant for those drop-

[3] *Abrahams v. Young & Rubicam*, 979 F. Supp. 122, 128-29 (D. Conn. 1997); *Stoner v. Walsh*, 772 F. Supp. 790, 800 (S.D.N.Y. 1991) (Mukasey, J.); *Avnet, Inc. v. Amer. Mot. Ins. Co.*, 115 F.R.D. 58, 592 (S.D.N.Y. 1987).

shippers, possibly cutting off defendant's channels of distribution. Plaintiff's requests are supported by mere speculation, and should be denied.

Category 3: Damages Discovery

Regarding damages, plaintiff disclaims any actual damages and instead seeks defendant's profits. However, even if there were infringement, plaintiff could only obtain the profits obtained through the infringement – namely, profits from the products whose pictures defendant copied, and only to the extent that plaintiff's pictures helped defendant sell perfumes.[4] Defendant has offered information concerning the perfumes where plaintiff has produced any evidence that defendant copied. These number 50 out of the many thousands that defendant sells – less than 1%. See Yakuel dec., ¶¶6-8. Nevertheless, plaintiff seeks to discover all of defendant's financial information - all perfume revenues and all expenses. This information will be irrelevant to this case, but highly interesting to a competitor, like plaintiff.

Plaintiff's excuse for looking into defendant's entire (non-public) finances is to test the veracity of the information produced. This is a non sequitur. Plaintiff does not explain how the amount of sales of one product will prove or disprove the amount of sales of another, nor can there be any such explanation. Regarding expenses, defendant does not object to plaintiff's discovery into any expenses defendant would seek to deduct from its revenues to reduce any profits plaintiff might be entitled to.[5] But non-deductible expenses and revenues from other products are beyond any possible scope of relevance.

Moreover, plaintiff seeks the information without restriction as to date, even though as noted above plaintiff has admitted that any infringement ended in February, 2006. There is no basis for discovery beyond that date.

The Court's consideration is appreciated.

Respectfully,

David Rabinowitz

cc: Robert L. Sherman, Esq. (via facsimile and first class mail)
Rebecca K. Myers, Esq. (via facsimile and first class mail)

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[4] Nimmer on Copyright, §14.03[B][2][b], sharply limiting or refusing awards of profits claimed to result from the use of plaintiff's work in advertising; *Davis v. The Gap, Inc.*, 246 F.3d 152, 160-61 (2d Cir. 2001).

[5] It is defendant who must prove deductible expenses. Otherwise defendant's gross revenue from the infringement is vulnerable to plaintiff's damages claim. 17 U.S.C. §504(b).